Installation Restoration Program — Getting the Job Done Safely With Performance-Based Contracting

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The Army's Installation Restoration Program (IRP) for Active and Excess Installations has a goal to complete the cleanup of 1,080 installations by the end of FY14. Installation restoration is the Army's environmental program that addresses the cleanup of contaminated Army property from past practices. The installation restoration mission is to perform appropriate, cost-effective cleanup so that the property is safe for use and to protect human health as well as the environment. Currently, the Army has achieved 90 percent of the goal at a cost of $4.9 billion.

Geologist Aaron Rosenboom checks the pressure of a solution to be injected into a monitoring well as environmental scientist Scott Rose operates the pump. Both work for Arcadis. U.S. Army photos by Gloria Jean Skillman.

The last 10 percent of that goal has been challenging. With cost-to-complete estimates increasing, schedules slipping and installations only achieving between 60-70 percent of their planned milestones, the Army realized that it needed to change its cleanup strategy to get the job done quickly and safely.

Cleanup Strategy Background

In 2002, Secretary of Defense Donald Rumsfeld approved Performance-Based Contracting (PBC) to provide financial incentives for contractors to develop and implement expedited and efficient solutions for meeting DOD goals and requirements. As a result, the Army identified PBC as a tool that could be incorporated into long-range plans for its environmental cleanup program and one that could assist in facilitating cost-effective and timely cleanup activities.

In April 2003, the Army introduced a new cleanup strategy and accompanying plan that combined restoration and compliance-related cleanup to create consistency and accountability across the entire IRP. One of nine strategy objectives is to support the development and use of cost-effective cleanup approaches and technologies to improve program efficiency.

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The Army used PBC as the preferred method for cleaning contaminated sites to curtail schedule and cost overruns, decrease the number of contract overruns and get more money on the ground to do the actual cleanup. According to Janet Kim, the Army's PBC action officer, the fact that it is currently showing a 16-percent savings has been an added bonus. The Army's commitment to using PBC is also part of *The President's Management Agenda* and part of a larger governmentwide initiative including the *Federal Acquisition Streamlining Act of 1994* and the *Government Performance and Results Act of 1993*.

DOD has a goal of awarding 50 percent of its program dollars using performance-based work statements by FY05. In FY03, the Army committed 9.6 percent of its IRP funds to PBCs and plans on meeting the 50-percent DOD goal by FY05. It has targeted awarding 80 percent of its program funding using PBC by FY07.

What is PBC?

In relation to environmental cleanup, PBC provides financial incentives for cleanup contractors to develop and implement an expedited and efficient approach to achieving environmental remediation goals at Army installations. Simply put, instead of detailing how a contractor will reach each cleanup project milestone in a request for proposal or statement of work, the government states the objectives and leaves it to the contractor to find effective and efficient ways to achieve them, while also maintaining an emphasis on worker safety and environmental protection. PBC characteristics include:

- Clearly defined performance expectations and measures.
- Clearly defined due dates and milestones.

Vials used for groundwater samples are collected at Fort Leavenworth, KS, for laboratory analysis. Volatile organic compounds are analyzed on a regular basis and the results help determine the effectiveness of the remediation.

Scott Rose, an environmental scientist with Arcadis, takes a low flow ground water sampling of a monitoring well at Fort Leavenworth before the remediation solution is added.

- Use of incentives for performance.
- Flexibility in exchange for accountability of results.
- Cost-effective approaches for both the contractor and the government.
- Contract guarantees, when required, that limit the risk the Army faces when unexpected conditions are encountered during remediation.

A Proven Approach

PBC is not a new approach in the private sector. PBC has been used by the Army at Base Realignment and Closure sites as well as in the commercial sector. Guaranteed Fixed Price Remediation (GFPR) is another PBC mechanism that allows the Army to buy environmental cleanups for a fixed price and at a set schedule. In 2001, the environmental cleanup program at Fort Leavenworth was identified as a pilot GFPR program. According to Richard Wilms, Fort Leavenworth's restoration program manager, they made tremendous progress using GFPR. Of the nine environmental sites identified in the first contracting phase at Fort Leavenworth, four are near completion, three have a remedy in place and two are in an interim remedial action period.

GFPR was also piloted at Fort Gordon, GA. As a result, Fort Gordon expects site closure to occur no later than FY08 and, possibly, achieve closure ahead of that schedule. "Performance-based contracting makes the contractor part of the solution, rather than just an employee," said Fort Gordon Environmental and Natural Resources Management Office Chief Steve Willard.

In 2002, an informal Army study reported that 40 private sector sites using GFPR closed 45 percent earlier than they would have under more conventional methods. The reason — basing the contract on performance gives the company an incentive both to remain focused on a schedule and to use innovative technologies.

How the Process Works

It's important to note that the Army solicits feedback from key stakeholders, including federal and state regulatory agencies and the community, as part of the evaluation and procurement processes. By seeking stakeholder input early in the process, the Army can better define performance measures in the contracts. To ensure that the objectives a contractor must meet align with regulatory expectations, the Army, Environmental Protection Agency and state agencies dialogue to define what constitutes satisfactory project completion and closeout. The

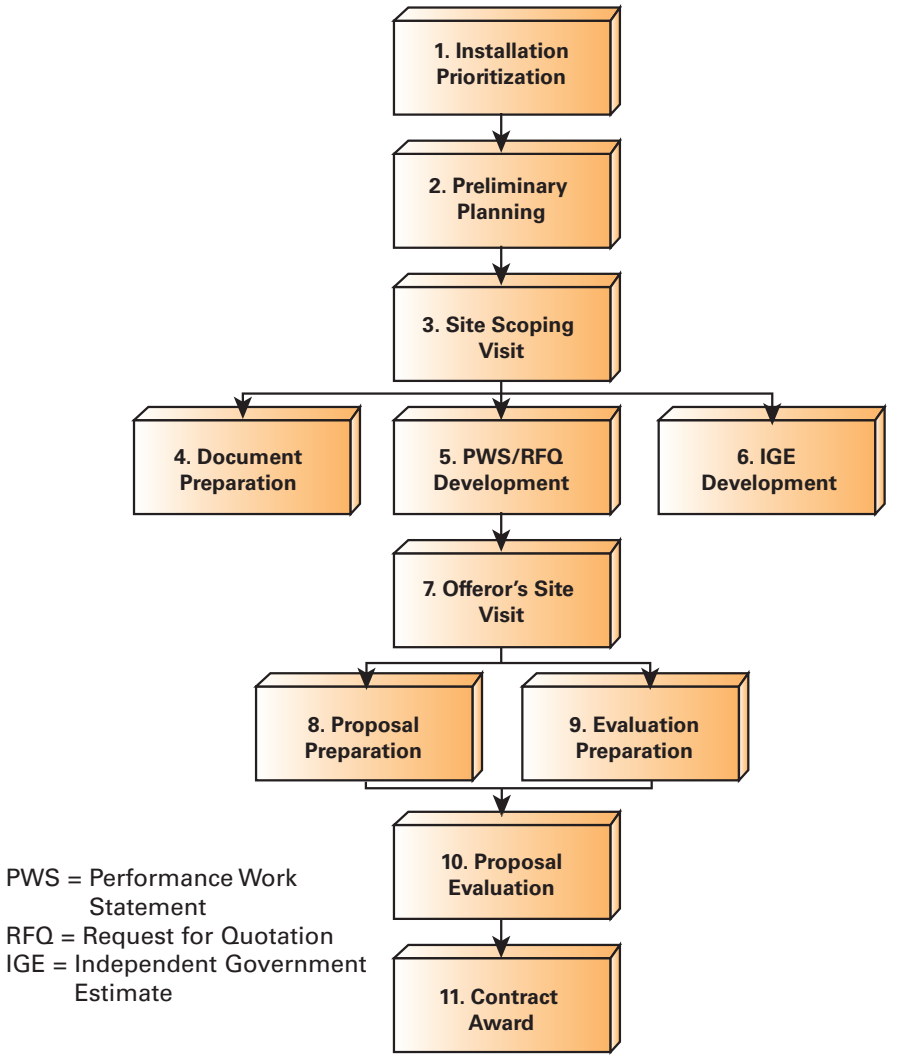
framework for implementing the program is outlined in the figure below.

Based on an FY04 activity review, it appears to take at least 6 months from the initial installation site scoping visit and baseline evaluation until a PBC award can be made. However, depending on the installation's complexity and the contract's scope, that timeframe may increase. The bulk of FY04 procurements are being processed through the Army Contracting Agency at Fort Eustis, VA. Additionally, most FY04 contracts are being solicited using the *General Services Administration Schedule (GSA) 899 (Environmental Remediation Services)*.

What's Next?

Installation prioritization for FYs 04-05 was initiated in FY03. Baseline evaluations were recently completed for all FY04 candidates, and planning activities are underway for FY05 candidates. It is important to note that not all candidates evaluated are currently suited for PBC placement. In some cases, installations are continuing their cleanup efforts using existing contract mechanisms. In other cases, additional evaluations will be conducted to determine if future work can or should be done under a PBC framework.

During FY05, the Army's IRP will use multiple contract vehicles including contract suites available through the U.S. Army Corps of Engineers, continued use of the *GSA 899 Schedule* and Indefinite Delivery/Indefinite Quantity contracts that are being procured through the Northern Region Contracting Center at Fort Eustis. The Army intends to build on past PBC successes and make improvements to the implementation process based on observations gathered along the way. To date, the Army's IRP has reported $32.9 million in cost savings thanks to PBC. Also, the Army estimates an additional $280 million in cost avoidance through FY09. Cost savings can be reinvested in the cleanup program to help get more dollars on the ground for actual land restoration. According to Kim, the cost savings to American taxpayers is important as long as the Army continues to be a sound environmental steward that provides healthy land for our Soldiers, their families and neighbors. For more information on PBC in the Army's IRP, including the FY 04-05 candidate installation locations, go to **http://aec.army.mil/usaec/cleanup/pbc00.html**, scroll down to **FY04 PBC Program** and click on **FY04/05 Installation List**.



Phases in Implementing PBC for Active Army Installations

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